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SIPDIS

STATE FOR INL/AAE AND INL/C; SCA/CEN (O'Mara)

SIPDIS

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TAGS: [SNAR](#) [ASEC](#) [KCOR](#) [KCRM](#) [PREL](#) [KZ](#)

SUBJECT: KAZAKHSTAN: DEFACTO DELAY IN AML LAW?

Ref: A) 05 Almaty 4353 B) Almaty 1437

**¶1.** Summary: Enactment of an extension of the Property Legalization Law until April 1, 2007 is likely to create similar delay in the enactment of the anti-money laundering (AML) and counter terrorism financing law currently under consideration in the Kazakhstani Mazhilis (lower house of parliament). Should this prognosis hold true, the AML law delay will push off an already twice delayed strengthening of the AML regime and creation of the Kazakhstani Financial Intelligence Unit. End summary.

**¶2.** On November 17, President Nazarbayev signed into law a three month extension of the Property Legalization Law originally enacted on July 5, 2006. Nazarbayev originally called for the extension of the term of the property legalization law at the opening of the fall session of the Mazhilis on September 1, claiming the original measure was passed hastily, contained errors, and provided too little notification to the public or the terms of compliance. The Property Legalization law was enacted to legalize a wide range of property and assets, including real property, capital assets, movable property, and securities. It will regularize the status these assets which were obtained since independence and, it is widely believed, which were acquired illegally during the privatization period.

**¶3.** Observers believe that this extension is likely to cause a delay in enactment of AML legislation, because once the AML legislation becomes law, attempts to register previously unrecorded assets would be considered *prima facie* evidence that some type of financial malfeasance took place which could put the owner of those assets at risk of prosecution.

**¶4.** The AML draft legislation was originally introduced to the Mazhilis in September 2005 but was immediately delayed. It first ran into resistance from deputies who claimed the structure of the legislation required further review (Ref A). Subsequently, during a study tour by members of the Mazhilis AML Working Group to Copenhagen, post heard concerns about the powerful role in AML and the FIU accorded to the Procurator General's Office (Ref B).

**¶5.** Comment: While it is still unclear whether the AML Working Group will modify the draft AML law, it appears the implications of the law were sufficiently understood so that the necessity for the Property Legalization law became apparent. End comment.

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